



International Agricultural Trade Report

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USDA UPDATES ASSESSMENT OF EUROPEAN UNION MEAT SITUATION

EU Meat Exports Slacken, Beef Stocks Soar Since Outbreak of BSE and FMD

In response to the evolving situation in the EU livestock sector, USDA has revised its 2001 estimates for EU production, consumption, exports, and ending stocks for beef, pork, and poultry. The increased detection of Bovine Spongiform Encephalopathy (BSE) and the outbreak of foot and mouth disease (FMD) have led EU consumers to alter their diets away from beef. Beef consumption for 2001 is estimated to be down 12 percent from last year, while exports are forecast to drop a further 41 percent in reaction to animal disease outbreaks in the EU. Beef ending stocks for 2001 are expected to accumulate to nearly 700,000 tons of which intervention stocks may total up to 500,000 tons. EU 2001 pork exports are forecast to decrease by 19 percent due mainly to FMD and lower production. EU poultry meat production is projected to rise along with consumption as producers take advantage of the increased demand for poultry products.

Meat prices across the EU for the first 6 months of 2001 compared to the previous period have also changed dramatically. Beef prices fell and pork and poultry prices rose significantly. For example, in Germany, beef prices declined about 30 percent, while pork and poultry prices surged roughly 40 and 15 percent respectively. However, beef prices are starting to recover, while pork prices have moderated

		Production	Exports	Consumption	Ending Stocks
		1,000 MT (CWE)			
Beef	1999	7,673	866	7,577	400
	2000	7,462	564	7,305	339
	2001	6,810	334	6,449	686
Pork	1999	18,042	1,400	16,540	736
	2000	17,585	1,249	16,420	706
	2001	17,419	1,012	16,449	705
Poultry	1999	8,444	872	7,537	72
	2000	8,394	832	7,616	55
	2001	8,609	821	7,916	30

EU Beef Consumption Still Down, Forcing Stocks to Bulge

EU beef production for 2001 is forecast to fall nearly 9 percent as nearly 3.6 million cattle are removed from the market – up 1.4 million from last year. A Purchase for Destruction Scheme was set up during the first half of 2001 to destroy all untested animals over 30 months until mandatory systematic testing could be implemented in July. Now all bovines over 30 months (24 months in some countries such as France and Germany) that are destined for human consumption are being tested for BSE. Since July, a Special Purchase Scheme is in operation to remove older cows from production. The member states have the option to either destroy the cow meat or store it until December 31, 2001.

EU beef exports for 2001 are forecast to fall 41 percent from last year to 334,000 tons mainly due to the loss of their primary beef export markets of Egypt and Russia. Egypt still has a ban on EU beef, but efforts are ongoing to open the market, and a veterinary delegation from Egypt is scheduled to visit the EU in early August to review production and veterinary practices. Russia has recently reopened their market to EU beef, but trade sources indicate that prices remain too high for Russia to resume buying any significant quantities.

Beef consumption is forecast to fall 12 percent in 2001, although demand is recovering from the dramatic downturn starting when the recent BSE crisis broke in November 2000. Member States are becoming active in trying to increase beef consumption. For example, France has launched consumer advertising on the safety of ground beef through TV spots and logos focusing on the 100 percent muscle content of ground beef.

Ending stocks for 2001 are projected to bulge to nearly 700,000 tons as a result of the reduction in exports and reduced consumption. Intervention stocks now stand at 230,000 tons. The maximum volume allowed into intervention was already raised to 500,000 tons, up from the 350,000-ton cap approved earlier this year. The growth in beef stocks is expected to pressure the EU to increase their exports for 2002. The Uruguay Round beef export subsidy ceiling for the EU is at 1.25 billion Euros (\$1.09 billion) on 822,000 tons of beef.

EU Pork Consumption Flat, While Production and Exports Fall

Pork is the preferred meat in the EU with total consumption greater than beef and poultry combined. Despite the reduction in beef consumption, pork consumption is almost unchanged from the previous year. Although there has been some crossover from beef to pork, there has been enough concern over food safety to offset growth in pork consumption. EU pork production for 2001 is forecast to fall about 1 percent due to environmental restrictions in Belgium and the Netherlands and losses due to FMD in the United Kingdom.

EU pork exports for 2001 are forecast at 1 million tons, down 19 percent from last year's level due, in part, to a decline in shipments to the Russian market. EU pork prices offered to Russia are relatively high due to a suspension of subsidies and increased transportation costs. However, Japan's import ban on EU pork due to FMD only had a minor trade impact as supplies were stored and released after the ban was lifted. Denmark, the EU's major exporter, continues to expand production and exports. This year, Denmark increased intra-EU trade as its pork products were

temporarily suspended from markets outside the EU due to FMD. Although Denmark lost little market share in Japan, its U.S. market share of Danish hams may be more difficult to regain.

EU Poultry Consumption Driving Production and Imports Upward

EU consumption of poultry products are forecast to grow 4 percent in 2001 to a record 7.9 million tons as a result of the BSE and FMD crisis and reduced consumer confidence in domestic beef and pork products. Increased demand for poultry products is still dominated by demand for broiler meat, but also includes turkey, ducks, and guinea fowl. It is projected that domestic production will increase to a record 8.6 million tons in 2001. However, this increase will not be sufficient to meet internal consumer demand. EU imports are forecast to rise 5 percent in 2001 to 440,000 tons. The bulk of these imports are expected to be poultry parts from Eastern Europe, Israel, and Asia. Exports are forecast to decline slightly as more product is kept within the EU to satisfy consumer demand.

For more detailed information on EU policies and programs, please go to:
<http://www.fas.usda.gov/scriptsw/attacherep/default.asp> and query E21073

For more information on beef, contact Michael Riedel (202) 720-4185; on pork, Tim Rocke at (202) 720-7715; on poultry, Susan Phillips (202) 720-2208; or contact DLP@fas.usda.gov